

***CITY OF COVINA
ANNUAL FINANCIAL REPORT OF THE
PROPOSITION A LOCAL RETURN FUND
PROPOSITION C LOCAL RETURN FUND
MEASURE R LOCAL RETURN FUND
MEASURE M LOCAL RETURN FUND
TRANSPORTATION DEVELOPMENT ACT
ARTICLE 3 FUND
FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019***



Metro[®]



Simpson & Simpson, LLP
Certified Public Accountants

CITY OF COVINA
TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditor’s Report	1
Proposition A Local Return Fund:	
Financial Statements:	
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance	4
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	5
Schedule of Capital Assets	6
Proposition C Local Return Fund:	
Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenditures and Changes in Fund Balance	8
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	9
Schedule of Capital Assets	10
Measure R Local Return Fund:	
Financial Statements:	
Balance Sheets	11
Statements of Revenues, Expenditures and Changes in Fund Balance	12
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	13
Schedule of Capital Assets	14
Measure M Local Return Fund:	
Financial Statements:	
Balance Sheets	15
Statements of Revenues, Expenditures and Changes in Fund Balance	16
Supplementary Information:	
Schedule of Expenditures – Actual and Metro Approved Project Budget	17
Schedule of Capital Assets	18
Transportation Development Act Article 3 Fund:	
Financial Statements:	
Balance Sheets	19
Statements of Revenues, Expenditures and Changes in Fund Balance	20
Supplementary Information:	
Schedule of Transportation Development Act Allocation for Specific Projects	21
Notes to Financial Statements	22
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28

CITY OF COVINA
TABLE OF CONTENTS
(Continued)

COMPLIANCE SECTION

Independent Auditor's Report on Compliance	30
Compliance Matrix	33
Schedule of Findings and Recommendations	37
EXIT CONFERENCE	39

FINANCIAL SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

Independent Auditor's Report

To the Honorable Members of the City Council of the
City of Covina, California and the
Los Angeles County Metropolitan Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds), of the City of Covina, California (the City) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F of the City of Covina, California, as of June 30, 2020 and 2019, and the respective changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F of the City and do not purport to, and do not, present fairly the financial position of the City of Covina, California, as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' financial statements or to the Funds' financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 17, 2020, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 17, 2020

CITY OF COVINA
PROPOSITION A LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2020	2019
ASSETS		
Cash and investments	\$ 2,592,342	\$ 2,927,176
Accounts receivable	6,461	10,482
Total assets	\$ 2,598,803	\$ 2,937,658
 LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 271,024	\$ 80,379
Accrued expense	465	1,473
Retention payable	14,639	-
Tax payable	2,404	-
Accrued payroll and benefits	3,703	2,230
Total liabilities	292,235	84,082
Deferred inflow of resources	-	15
Total deferred inflow or resources	-	15
 Fund Balance		
Restricted	2,306,568	2,853,561
Total fund balance	2,306,568	2,853,561
Total liabilities, deferred inflow of resources, and fund balance	\$ 2,598,803	\$ 2,937,658

The accompanying notes are an integral part of the financial statements.

CITY OF COVINA
PROPOSITION A LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2020	2019
REVENUES		
Proposition A	\$ 949,656	\$ 983,950
Proposition A Discretionary Incentive Grant (Note 8)	24,571	56,534
Project generated revenues (Note 9)	142,684	189,755
Interest income	60,186	45,342
Other income (Note 10)	10,377	11,479
Total revenues	1,187,474	1,287,060
EXPENDITURES		
Various projects	1,734,467	887,210
Total expenditures	1,734,467	887,210
Excess (deficiency) of revenues over expenditures	(546,993)	399,850
Fund balance at beginning of year	2,853,561	2,453,711
Fund balance at end of year	\$ 2,306,568	\$ 2,853,561

The accompanying notes are an integral part of the financial statements.

CITY OF COVINA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020		Variance Favorable (Unfavorable)	2019 Actual
		Metro Budget	Actual		
130-01	Covina E and D Dial-A-Cab	\$ 416,821	\$ 389,521	\$ 27,300	\$ 394,476
130-02	Covina Transit Vehicle Replacement	115,702	117,445	(1,743)	-
140-07	Senior Center Excursions	9,680	755	8,925	5,619
140-08	Recreation Excursions	13,174	7,282	5,892	12,450
170-03	Bus Stop Maintenance Program	43,837	43,835	2	35,176
170-04	Covina Bus Stop Improvement Project	1,052,450	359,376	693,074	-
180-01	Transit Administration Office Improvements	50,000	24,116	25,884	-
230-02	Metrolink Station Security	87,646	87,183	463	82,594
230-04	Metrolink Parking Complex Surveillance Cameras	-	-	-	18,562
240-02	Taxi Voucher	1	-	1	-
250-02	Bus Pass Subsidy Program	22,420	9,061	13,359	13,636
270-04	Consultant Services	72,000	35,075	36,925	28,478
270-08	Metrolink Quiet Zone Feasibility Study - Engineering Services	72,000	29,736	42,264	-
370-05	Covina Metrolink Station - Shelter Solar Lighting Systems	-	-	-	24,999
390-01	Metrolink Parking Structure and Station (Ongoing Maintenance)	224,385	137,021	87,364	147,563
390-02	Metrolink Parking Structure Maintenance Program	100,000	97,819	2,181	-
390-03	Covina Metrolink Station Improvement Project	317,000	188,553	128,447	-
480-04	Transit Administration	175,000	199,403	(24,403)	115,635
500-01	San Gabriel Valley COG	8,222	8,286	(64)	8,022
Total expenditures		\$ 2,780,338	\$ 1,734,467	\$ 1,045,871	\$ 887,210

See accompanying independent auditor's report.

CITY OF COVINA
PROPOSITION A LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
1999	Bus Stop Benches	\$ 4,092	\$ -	\$ 4,092	\$ -
1999	Land and Land Improvements	365,697	-	-	365,697
2005	Rail Station Bollards	6,245	-	-	6,245
2005	Pacific Parking Pay and Display	5,759	-	5,759	-
2005	Transit Center	69,457	-	-	69,457
2007	Bus Shelter	61,374	-	-	61,374
2010	Bikestation	85,216	-	-	85,216
2014	2014 Braun Entervan	43,655	-	43,655	-
2014	2014 Braun Entervan	43,655	-	43,655	-
2017	Metrolink Station Cameras	152,559	-	-	152,559
2019	Metrolink Parking Complex Cameras	18,562	-	-	18,562
2020	2019 Nor Cal Vans Transit 350 Wagon	-	58,546	-	58,546
2020	2019 Nor Cal Vans Transit 350 Wagon	-	58,851	-	58,851
Total		\$ 856,271	\$ 117,397	\$ 97,161	\$ 876,507

See accompanying independent auditor's report.

CITY OF COVINA
PROPOSITION C LOCAL RETURN FUND
BALANCE SHEETS
June 30

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and investments	\$ 1,729,814	\$ 1,676,043
Total assets	<u>\$ 1,729,814</u>	<u>\$ 1,676,043</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 17,805	\$ 235,665
Accrued expense	44,463	26,114
Retention payable	-	93,436
Accrue payroll and benefits	<u>11</u>	<u>718</u>
Total liabilities	<u>62,279</u>	<u>355,933</u>
 Fund Balance		
Restricted	<u>1,667,535</u>	<u>1,320,110</u>
Total fund balance	<u>1,667,535</u>	<u>1,320,110</u>
Total liabilities and fund balance	<u>\$ 1,729,814</u>	<u>\$ 1,676,043</u>

The accompanying notes are an integral part of the financial statements.

CITY OF COVINA
PROPOSITION C LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>
REVENUES		
Proposition C	\$ 787,742	\$ 816,159
Project Reimbursement from Caltrans (Note 11)	-	32,559
Interest income	37,307	38,626
Other income (Note 12)	<u>37,960</u>	<u>38,480</u>
Total revenues	<u>863,009</u>	<u>925,824</u>
EXPENDITURES		
Various projects	<u>515,584</u>	<u>2,419,674</u>
Total expenditures	<u>515,584</u>	<u>2,419,674</u>
Excess (deficiency) of revenues over expenditures	347,425	(1,493,850)
Fund balance at beginning of year	<u>1,320,110</u>	<u>2,813,960</u>
Fund balance at end of year	<u><u>\$ 1,667,535</u></u>	<u><u>\$ 1,320,110</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF COVINA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020		Variance	2019 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
270-06	Town Center Specific Plan Update	\$ 43,000	\$ 17,790	\$ 25,210	\$ 87,263
270-07	Citrus Avenue Complete Street Project	250,000	93,826	156,174	8,175
400-01	Traffic Signal Modernization - Sunflower Avenue and Cypress Street	125,000	62,013	62,987	-
400-02	Traffic Signal Modifications - Citywide	200,000	-	200,000	400,000
430-05	Covina Bikeways Improvement Program	278,000	-	278,000	1,360
450-05	Grand Avenue Rehabilitation	-	-	-	1,577,159
450-06	Traffic Signal, Street Light Pole and Equipment Replacement Program	110,000	126,232	(16,232)	111,677
450-07	Realignment of Curb Cut at Barranca Avenue and Hurst Street	375,000	-	375,000	184,040
450-08	Badillo Street Rehabilitation Project	650,000	-	650,000	-
450-09	In-Pavement Flashing Crosswalks - Construction Only	62,500	-	62,500	-
450-10	Citywide Median Modification/Beautification Project	250,000	107,678	142,322	-
470-02	Pavement Management System Update	75,000	58,138	16,862	-
480-05	Transit Administration - Proposition C Projects	50,000	49,907	93	50,000
Total expenditures		\$ 2,468,500	\$ 515,584	\$ 1,952,916	\$ 2,419,674

See accompanying independent auditor's report.

CITY OF COVINA
PROPOSITION C LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
May-17	2017 Glaval Bus	\$ 77,440	\$ -	\$ -	\$ 77,440
June-18	Ford E450 Bus	84,830	-	-	84,830
June-18	2018 Ford Wagon	72,682	-	-	72,682
Total		\$ 234,952	\$ -	\$ -	\$ 234,952

See accompanying independent auditor's report.

CITY OF COVINA
MEASURE R LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2020	2019
ASSETS		
Cash and investments	\$ 129,149	\$ 1,218,585
Cash and investments - Restricted (Note 13)	-	2,729,561
Total assets	\$ 129,149	\$ 3,948,146
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 77,619	\$ 491,719
Accrued expense	-	5,020
Retention payable	10,727	20,563
Total liabilities	88,346	517,302
 Fund Balance		
Restricted	40,803	701,283
Restricted - Total Road Improvement Program (Note 13)	-	2,729,561
Total fund balance	40,803	3,430,844
Total liabilities and fund balance	\$ 129,149	\$ 3,948,146

The accompanying notes are an integral part of the financial statements.

CITY OF COVINA
MEASURE R LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>
REVENUES		
Measure R	\$ 589,961	\$ 612,294
Interest income	906	2,815
Interest income on COPs (Note 13)	<u>46,832</u>	<u>103,005</u>
Total revenues	<u>637,699</u>	<u>718,114</u>
 EXPENDITURES		
Various projects	<u>4,027,740</u>	<u>3,992,735</u>
Total expenditures	<u>4,027,740</u>	<u>3,992,735</u>
 Deficiency of revenues over expenditures	 (3,390,041)	 (3,274,621)
 Fund balance at beginning of year	 <u>3,430,844</u>	 <u>6,705,465</u>
 Fund balance at end of year	 <u>\$ 40,803</u>	 <u>\$ 3,430,844</u>

The accompanying notes are an integral part of the financial statements

CITY OF COVINA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020		Variance Favorable (Unfavorable)	2019 Actual
		Metro Budget	Actual		
1.05	Citywide Street Reconstruction Plan - Bond Payment (Note 13)	\$ 371,438	\$ 370,947	\$ 491	\$ 369,974
1.05	Grand Avenue Rehabilitation, Arrow Highway to San Bernardino Road	79,000	-	79,000	315,698
1.05	Pothole and Concrete Repair	266,557	280,116	(13,559)	139,470
1.05	Citywide Street Reconstruction Plan - TRIP *	2,980,496	600,284	2,380,212	-
1.05	Regulatory Sign Replacement Program	-	-	-	153,523
	<i>Expenditures Funded by Measure R Local Return Fund</i>	<u>3,697,491</u>	<u>1,251,347</u>	<u>2,446,144</u>	<u>978,665</u>
1.05	Citywide Street Reconstruction Plan - TRIP (Note 13) *	-	2,776,393	(2,776,393)	3,014,070
	<i>Expenditures Funded by the COPs</i>	<u>-</u>	<u>2,776,393</u>	<u>(2,776,393)</u>	<u>3,014,070</u>
	Total expenditures	<u>\$ 3,697,491</u>	<u>\$ 4,027,740</u>	<u>\$ (330,249)</u>	<u>\$ 3,992,735</u>

* The expenditures for this project is related to the Metro budget of \$2,980,496.

See accompanying independent auditor's report.

CITY OF COVINA
MEASURE R LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF COVINA
MEASURE M LOCAL RETURN FUND
BALANCE SHEETS
June 30

	2020	2019
ASSETS		
Cash and investments	\$ 1,120,302	\$ 855,143
Total assets	\$ 1,120,302	\$ 855,143
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 42,337	\$ 625
Accrued payroll and benefits	6,203	3,631
Total liabilities	48,540	4,256
 Fund Balance		
Restricted	1,071,762	850,887
Total fund balance	1,071,762	850,887
Total liabilities and fund balance	\$ 1,120,302	\$ 855,143

The accompanying notes are an integral part of the financial statements.

CITY OF COVINA
MEASURE M LOCAL RETURN FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>
REVENUES		
Measure M	\$ 663,772	\$ 689,925
Interest income	<u>22,685</u>	<u>12,468</u>
Total revenues	<u>686,457</u>	<u>702,393</u>
 EXPENDITURES		
Various projects	<u>465,582</u>	<u>368,145</u>
Total expenditures	<u>465,582</u>	<u>368,145</u>
 Excess of revenues over expenditures	 220,875	 334,248
 Fund balance at beginning of year	 <u>850,887</u>	 <u>516,639</u>
 Fund balance at end of year	 \$ <u><u>1,071,762</u></u>	 \$ <u><u>850,887</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF COVINA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
ACTUAL AND METRO APPROVED PROJECT BUDGET
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amount for the Fiscal Year Ended June 30, 2019)

Project Code	Project Name	2020		Variance	2019 Actual
		Metro Budget	Actual	Favorable (Unfavorable)	
1.05	Bridge Maintenance	\$ 125,000	\$ 20,484	\$ 104,516	\$ 5,874
1.05	Signal Master Plan	75,000	22,410	52,590	-
1.05	Total Road Improvement Program - Phase III Project	- *	347,440	(347,440)	-
1.05	Pothole and Concrete Repair	-	-	-	217,271
1.05	Regulatory Sign Replacement Program	-	-	-	45,000
1.05	City Concrete Repairs	-	-	-	100,000
1.10	Traffic Calming Improvement Project	100,000	75,248	24,752	-
1.30	Banna Park - Bicycle Lane in Connection with Class I Bike Lane	250,000	-	250,000	-
Total expenditures		\$ 550,000	\$ 465,582	\$ 84,418	\$ 368,145

* The City received an approval from Metro on October 8, 2020 to amend the budget for Project 1.05, Total Road Improvement Program - Phase III Project, in the amount to \$510,000. See Compliance Matrix and Schedule of Findings and Recommendations. Finding No. 2020-002.

See accompanying independent auditor's report.

CITY OF COVINA
MEASURE M LOCAL RETURN FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
 June 30, 2020

Date Acquired	Description	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
None		\$ -	\$ -	\$ -	\$ -
	Total	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

CITY OF COVINA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
(PURSUANT TO PUBLIC UTILITIES CODE SECTION 99234)

BALANCE SHEETS

June 30

	2020	2019
ASSETS		
Due from Metro	\$ 6,128	\$ 18,913
Prepaid expense	-	4,500
Total assets	\$ 6,128	\$ 23,413
 LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	\$ -	\$ 240
Due to General Fund	6,128	18,673
Total liabilities	6,128	18,913
 Deferred inflow of resources		
Total deferred inflow of resources	-	240
 Fund Balance		
Restricted	-	4,260
Total fund balance	-	4,260
Total liabilities, deferred inflow of resources, and fund balance	\$ 6,128	\$ 23,413

The accompanying notes are an integral part of the financial statements.

CITY OF COVINA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30

	2020	2019
REVENUES		
TDA 3	\$ 6,128	\$ 18,673
Total revenues	6,128	18,673
EXPENDITURES		
Various projects	10,388	14,450
Total expenditures	10,388	14,450
Excess (deficiency) of revenues over expenditures	(4,260)	4,223
Fund balance at beginning of year	4,260	37
Fund balance at end of year	\$ -	\$ 4,260

The accompanying notes are an integral part of the financial statements.

CITY OF COVINA
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
SUPPLEMENTARY INFORMATION
SCHEDULE OF TRANSPORTATION DEVELOPMENT ACT
ALLOCATION FOR SPECIFIC PROJECTS
For the Fiscal Year Ended June 30, 2020

<u>Project Description</u>	<u>Program Year</u>	<u>Allocations</u>	<u>Expenditures</u>	<u>Unexpended Allocations</u>	<u>Project Status</u>
Local allocations					
Management of Covina Bikehub	2019-20	\$ 6,000	\$ 5,760	\$ 240	Complete
Maintenance of (28) Bike Lockers	2019-20	128	128	-	Complete
Bike and Pedestrian Grant Application Prep	2018-19	<u>-</u>	<u>4,500</u>	<u>(4,500)</u>	Complete
Total		<u>\$ 6,128</u>	<u>\$ 10,388</u>	<u>(4,260)</u>	
Fund balance at beginning of year				<u>4,260</u>	
Fund balance at end of year				<u>\$ -</u>	

See accompanying independent auditor's report.

CITY OF COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The operations of the Proposition A Local Return Fund (PALRF), Proposition C Local Return Fund (PCLRF), Measure R Local Return Fund (MRLRF), Measure M Local Return Fund (MMLRF), and Transportation Development Act Article 3 Fund (TDAA3F) (collectively, the Funds) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

PALRF and PCLRF represent 25% and 20%, respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF is derived from 15% of a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

MMLRF is derived from 17% of a county-wide ½ cent sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

TDAA3F is a Special Revenue Fund that accounts for the City’s share of the Transportation Development Act Article 3 allocations which are legally restricted for specific purposes.

Basis of Accounting and Measurement Focus

PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F are accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

Special Revenue Funds are reported on the spending or “financial flow” measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. The statement of revenues, expenditures and changes in fund balance for Special Revenue Funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Budgets and Budgetary Accounting

The budgeted amounts presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

In accordance with Government Accounting Standard Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which became effective for the fiscal year ended June 30, 2016, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investment at fair value and recognizes unrealized gain (loss) on investments.

Refer to City's 2020 Comprehensive Annual Financial Report for detailed disclosures regarding the City's investment policy and fair value measurement.

Fund Balance Reporting

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

The PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F report the following fund balance classification as of June 30, 2020:

- Restricted – Amounts that are constrained for specific purpose, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The uses of the funds' remaining fund balances are restricted for projects approved by Los Angeles County Metropolitan Transportation Authority (Metro).

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City's Comprehensive Annual Financial Report.

NOTE 2 – ANNUAL FINANCIAL STATEMENTS

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F and their compliance with the Proposition A and Proposition C Local Return Program Guidelines, Measure R Local Return Program Guidelines, Measure M Local Return Program Guidelines, Transportation Development Act Article 3 and the Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.

CITY OF COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 3 – PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS

In accordance with Proposition A and Proposition C Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Proposition A and Proposition C Local Return approved programs. See accompanying Compliance Matrix.

NOTE 4 – MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS

In accordance with Measure R Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure R Local Return approved programs. See accompanying Compliance Matrix.

NOTE 5 – MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS

On June 23, 2016, the Metro Board of Directors approved the Los Angeles County Traffic Improvement Plan Ordinance, known as Measure M. In accordance with Measure M Local Return Program Guidelines, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. See accompanying Compliance Matrix.

NOTE 6 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

In accordance with Public Utilities Code Section 99234, funds received pursuant to this Code's section may only be used for activities relating to pedestrians and bicycle facilities. See accompanying Compliance Matrix.

NOTE 7 – CASH AND INVESTMENTS

The PALRF, PCLRF, MRLRF, MMLRF, and TDAA3F's cash and investment balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash and investments account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average balances to the total of the pooled cash and investments.

CITY OF COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 8 – PROPOSITION A DISCRETIONARY INCENTIVE GRANT - PALRF

The City entered into a Memorandum of Understanding (MOU) agreement with Metro to receive Proposition A Discretionary Incentive Grant for participating in the Consolidated National Transit Database (NTD) Voluntary Reporting. The amounts received for the years ended June 30, 2020 and 2019 consisted of the following:

Agreement Date	Period	NTD Voluntary Reporting	MOU Amount	Amount Received	
				2020	2019
May 1, 2020	5/1/20 – 6/30/23	FY 2017-18	\$ 24,571	\$ 24,571	\$ -
July 31, 2017	7/1/17 – 6/30/19	FY 2014-15	\$ 27,570	-	27,570
May 21, 2016	7/1/15 – 6/30/17	FY 2013-14	\$ 28,964	-	28,964
			Total	\$ 24,571	\$ 56,534

The Proposition A Discretionary Incentive Grant was recorded under PALRF.

NOTE 9 – PROJECT GENERATED REVENUES - PALRF

Project generated revenues for the years ended June 30, 2020 and 2019 consisted of the following:

	2020	2019
Metro bus pass revenues	\$ 4,665	\$ 5,891
Metro parking permit revenues	138,019	183,864
Total	\$ 142,684	\$ 189,755

NOTE 10 – OTHER INCOME - PALRF

Other income for the years ended June 30, 2020 and 2019 consisted of the following:

	2020	2019
Retention revenue	\$ -	\$ 4,800
Sale of vehicle at auction	10,377	6,679
Total	\$ 10,377	\$ 11,479

NOTE 11 – PROJECT REIMBURSEMENT FROM CALTRANS - PCLRF

Project reimbursement in the amount of \$32,559 for the year ended June 30, 2019 was received from the Caltrans to provide and subsidize funding of the expenditures incurred for PCLRF's Covina Bikeways Improvement Program Project Code 430-05.

CITY OF COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 12 – OTHER INCOME - PCLRF

Other income for the years ended June 30, 2020 and June 30, 2019 consisted of the following:

		2020		2019
Rental income from Cingular Wireless	\$	37,959	\$	36,499
Sale of vehicle at auction		-		1,981
Total	\$	37,959	\$	38,480

NOTE 13 – RESTRICTED CASH AND RESTRICTED FUND BALANCE – TOTAL ROAD IMPROVEMENT PROGRAM - MRLRF

On August 2, 2017, Stifel, Nicolaus & Company, Incorporated (“Stifel”) issued the California Communities Transportation Revenue (installment sale) Certificates of Participation (COPs), Series 2017A in the amount of \$5,625,000 with a premium of \$254,307. The premium is amortized over the life of the COPs. The proceeds from the COPs are to finance the Citywide Street Reconstruction Plan Project, which will upgrade, reconstruct, and rehabilitate public streets within the City, through participation in the California Statewide Communities Development Authority Total Road Improvement Program (TRIP).

Principal and interest payments are due on each December 1st and June 1st, commencing on December 1, 2017 and maturing on June 1, 2039. The principal payments range from \$175,000 to \$355,000 and bear interest at rates ranging from 2.000% to 5.000%.

The MRLRF allocation revenues are used to pay the debt service on the COPs and to finance the costs of the project that was approved by Metro on the letter dated July 1, 2017.

The bond payments for the years ended June 30, 2020 and 2019 are \$370,947 and \$369,974, respectively.

The COPs cash and fund balance for the years ended June 30, 2020 and June 30, 2019 are as follows:

COPs cash and fund balance at June 30, 2018	\$	5,640,626	
Add: FY 2019 interest income		103,005	
Less: FY 2019 expenditures		(3,014,070)	
COPs cash and fund balance at June 30, 2019		2,729,561	
Add: FY 2020 interest income		46,832	
Less: FY 2020 expenditures		(2,776,393)	
COPs cash and fund balance at June 30, 2020	\$	-	

CITY OF COVINA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019
(Continued)

NOTE 14 – TRANSPORTATION DEVELOPMENT ACT FUND REVENUE ALLOCATION

The revenue allocation for the years ended June 30, 2020 and 2019 consisted of the following:

	2020	2019
FY 2015-16 allocation	\$ -	\$ 5,852
FY 2016-17 allocation	6,128	12,821
Total payment requested	\$ 6,128	\$ 18,673

NOTE 15 – TRANSPORTATION DEVELOPMENT ACT FUNDS RESERVED

In accordance with TDA Article 3 (SB821) Guidelines, funds not spent during the fiscal year have been placed on reserve in the Local Transportation Fund (LTF) account with the County Auditor-Controller to be drawn down whenever the funds become eligible for a specific project and an approved drawdown request is received by Metro. As of June 30, 2020 and 2019, the City has funds on reserve as follows:

	2020	2019
FY 2016-17 allocation	\$ 13,442	\$ 19,570
FY 2017-18 allocation	32,107	32,107
FY 2018-19 allocation	33,230	33,230
FY 2019-20 allocation	35,350	-
Available reserve balance	\$ 114,129	\$ 84,907

NOTE 16 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local government agencies.

The City has evaluated subsequent events through November 17, 2020, the date the financial statements were available to be issued and concluded no other events have occurred that require disclosure or adjustments to the financial statements.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Honorable Members of the City Council of the
City of Covina, California and the
Los Angeles County Metropolitan Transit Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund (collectively, the Funds) of the City of Covina, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the Funds’ financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds’ financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.





Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Simpson & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
November 17, 2020

COMPLIANCE SECTION



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

Independent Auditor's Report on Compliance

To the Honorable Members of the City Council of the
City of Covina, California and the
Los Angeles County Metropolitan Transit Authority

Report on Compliance

We have audited the compliance of the City of Covina, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines, Measure M Local Return Guidelines, Transportation Development Act Article 3, and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for the Transportation Development Act Article 3 Bicycle and Pedestrian Funds (collectively, the Guidelines) for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for the City's compliance with the Guidelines.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guidelines referred to in the preceding paragraph. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program, Measure M Local Return Program, and Transportation Development Act Article 3 Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.

Opinion on Each Local Return Program and Transportation Development Act Article 3

In our opinion, except as noted in the Compliance Matrix and the Schedule of Findings and Recommendations, the City complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2020.





Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Schedule of Findings and Recommendations as Finding Nos. 2020-001 and 2020-002. Our opinion on each local return program and Transportation Development Act Article 3 program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance described in the accompanying Schedule of Findings and Recommendations as Finding No. 2020-001 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
November 17, 2020

CITY OF COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2020

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
A. Proposition A and Proposition C Local Return Funds						
1.	Uses the State Controller's Uniform System of Accounts and Records.	X			None	
2.	Timely use of funds.	X			None	
3.	Funds expended were approved and have not been substituted for property tax.	X			None	
4.	Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	X			None	
5.	Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X			None	
6.	All on-going and carryover projects were reported in Form B.	X			None	
7.	Annual Project Summary Report (Form B) was submitted on time.	X			None	
8.	Annual Expenditure Report (Form C) was submitted on time.	X			None	
9.	Cash or cash equivalents are maintained.	X			None	
10.	Accounting procedures, record keeping and documentation are adequate.	X			None	
11.	Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X			None	
12.	Local Return Account is credited for reimbursable expenditures.	X			None	
13.	Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	X			None	
14.	Signed Assurances and Understandings form was on file.	X			None	
15.	Recreational transit form was submitted on time.		X		None	See Finding No. 2020 - 001 in the Schedule of Findings and Recommendations.

CITY OF COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2020
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
B. Measure R Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X			None	
3.	Signed Assurances and Understandings form was on file.	X			None	
4.	Separate Measure R Local Return Account was established.	X			None	
5.	Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.	X			None	
7.	Expenditure Plan (Form One) was submitted on time.	X			None	
8.	Expenditure Report (Form Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenditures are within the 20% cap.			X	None	
11.	Fund exchanges were approved by Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted on time.			X	None	

CITY OF COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2020
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
C. Measure M Local Return Fund						
1.	Funds were expended for transportation purposes.	X			None	
2.	Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.	X			None	
3.	Signed Assurances and Understandings form was on file.	X			None	
4.	Separate Measure M Local Return Account was established.	X			None	
5.	Revenue received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X			None	
6.	Funds were expended with Metro's approval.		X		None	See Finding No. 2020 - 002 in the Schedule of Findings and Recommendations.
7.	Expenditure Plan (Form M-One) was submitted on time.	X			None	
8.	Expenditure Report (Form M-Two) was submitted on time.	X			None	
9.	Timely use of funds.	X			None	
10.	Administrative expenses are within the 20% cap.			X	None	
11.	Fund exchanges were approved by Metro.			X	None	
12.	A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.			X	None	
13.	Recreational transit form was submitted timely.			X	None	

CITY OF COVINA
COMPLIANCE MATRIX
Year Ended June 30, 2020
(Continued)

Compliance Requirement		In Compliance			Questioned Costs	If no, provide details and management response.
		Yes	No	N/A		
D. Transportation Development Act Article 3 Fund						
1.	Timely use of funds.	X			None	
2.	Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.	X			None	

CITY OF COVINA
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020

PALRF: Finding No. 2020-001

Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, “Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year.”
Condition	The City did not meet the October 15, 2020 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 3, 2020. This is a repeat finding from prior fiscal year.
Cause	With rollout of the new LACMTA LRMS in October 2020, the submission of the Listing of Recreational Transit Services form was overlooked.
Effect	The City’s Listing of Recreational Transit Services was not submitted timely as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City’s expenditures of the Proposition A Local Return Fund will be in accordance with LACMTA’s approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management’s Response	Moving forward, the City will implement a new process to ensure that the submission of PALRF form deadline is met.
Finding Corrected During Audit	The City submitted the form to LACMTA on November 3, 2020. No follow-up is required.

CITY OF COVINA
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 June 30, 2020
 (Continued)

MMLRF: Finding No. 2020-002

Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval. Jurisdiction will be required to reimburse its Local Return account.”
Condition	The City incurred expenditures prior to receiving approval from LACMTA for MMLRF’s Project Code 1.05 Total Road Improvement Program (TRIP) - Phase III Project in the amount of \$347,440. However, the project was subsequently approved on October 8, 2020 of a budget amount of \$510,000.
Cause	The TRIP project was approved by LACMTA in 2017. Phases I and II were completed and Phase III of the construction started in 2020. The MMLRF funds were used to fund a portion of the Phase III costs. The project was managed by a new City Engineer staff who was unfamiliar with the project funding of the expenditures. As a result, the City failed to receive LACMTA’s approval prior to the commencement of the project’s construction.
Effect	The City did not comply with the Guidelines and expenditures for the MMLRF project were incurred before LACMTA’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure M Local Return projects. Form M-One (Expenditure Plan) should be properly prepared and submitted before the due date of August 1st so that the City’s expenditures of Measure M Local Return Funds are in accordance with LACMTA’s approval and the Guidelines.
Management’s Response	The City’s department assigned to the submission of the form will implement internal checklist and will be reviewed by management in a timely fashion.
Finding Corrected During Audit	LACMTA Program Manager granted retroactive approval of the said project on October 8, 2020. No follow-up is required

EXIT CONFERENCE

CITY OF COVINA
PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND,
MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND, AND
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND
EXIT CONFERENCE
June 30, 2020

An exit conference was held on December 15, 2020 with the City of Covina. Those in attendance were:

Simpson & Simpson Representative:

Yung Dang, Senior Auditor

City's Representative:

Alan Sands, Senior Accountant

Matters Discussed:

Results of the audit disclosed one (1) significant control deficiency and two (2) non-compliance issues with Metro Guidelines.

A copy of this report was forwarded to the following City representative(s) for their comments prior to the issuance of the final report:

Alan Sands, Senior Accountant

Simpson & Simpson, LLP
633 West 5th Street, Suite 3320
Los Angeles, CA 90071

RE: CITY OF COVINA ANNUAL FINANCIAL REPORT OF THE PROPOSITION A LOCAL RETURN FUND, PROPOSITION C LOCAL RETURN FUND, MEASURE R LOCAL RETURN FUND, MEASURE M LOCAL RETURN FUND, AND TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 FUND FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

I have received the annual financial report of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund, Measure M Local Return Fund, and Transportation Development Act Article 3 Fund for the years ended June 30, 2020 and 2019 for the City of Covina and agree with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date